D 150216 **(Pages : 3)** **Name.....**

Reg. No.....

THIRD SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2026

(CBCSS)

Master of Commerce

MCM 3C 11—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answer should be written in English only.

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. State the functions of a financial manager.
2. What is meant by factoring ?
3. Explain Cross-hedging.
4. What is Concentration Banking ?
5. Define Financial Break-even Point.
6. What do you mean by Opportunity Cost of Capital ?
7. Write a short note on Payback Reciprocal.

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Explain how agency conflicts arise between shareholders and managers.
9. Illustrate the Modigliani-Miller arbitrage mechanism with a simple example.
10. Explain the major determinants of capital structure in a corporate enterprise.

Turn over

11. A company's equity share (₹ 10 face value) is quoted at ₹ 80. Expected dividend for current year is ₹ 6 and growth rate is 5 %. Shareholders pay 20 % tax and brokerage is 2 %. Compute the cost of retained earnings.

12. A company has 1,500 shares selling at ₹ 120 each. Expected dividend per share at year-end is ₹ 12. Capitalisation rate is 18 %. Net income is ₹ 36,000. Using MM hypothesis, calculate share price at end of year (i) with dividend ; and (ii) without dividend.

13. A project requires an initial investment of ₹ 2,00,000. Expected cash inflows :

    Year 1 : ₹ 40,000

    Year 2 : ₹ 50,000

    Year 3 : ₹ 70,000

    Year 4 : ₹ 90,000

    Salvage value at end of Year 4 : ₹ 20,000

    Discount rate = 12 %. PV factors: 0.893, 0.797, 0.712, 0.636.

    Compute NPV.

14. Briefly explain carrying cost and ordering cost of inventories.

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. From the following data, prepare a statement of working capital requirement :

    Cost structure :

    - Materials 50 %
    - Labour 25 %
    - Overheads 25 %

    Additional information :

    - Output level : 2,50,000 units
    - Selling price = ₹ 15 per unit
    - Raw material storage : 2 months
    - Processing period : 1 month (100 % materials, 50 % labour and overhead)

- Finished goods storage : 1 month
- Debtors allow 1.5 months credit
- Creditors allow 1 month credit

16. Capital structure of Redstar Ltd. :

- 10 % Debentures (FV ₹ 100) : ₹ 6,00,000
- 12 % Preference shares (FV ₹ 100) : ₹ 5,00,000
- Equity (₹ 10 shares) : ₹ 12,00,000

Additional details :

- Debentures : Market price ₹ 97, flotation cost 3 %, maturity 8 years
- Preference shares : Market price ₹ 110, flotation 4 %, maturity 8 years
- Equity : Market price ₹ 25 ; next dividend ₹ 3 ; growth 6 %
- Corporate tax = 30%

Compute

(i) Cost of each source

(ii) WACC using market value weights

17. A firm has :

Sales ₹ 1,20,00,000

Variable cost ₹ 72,00,000

Fixed cost ₹ 12,00,000

Debt ₹ 60,00,000 @ 10 %

Equity ₹ 90,00,000

Calculate :

(i) ROI ;

(ii) Whether leverage is favourable ; and

(iii) Operating, Financial and Combined leverage.

18. Explain internal and external factors influencing dividend policy with examples.

(2 × 5 = 10 weightage)